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CHRONO

26 November 1984

OLL 84-4539

MEMORANDUM FOR THE RECORD

SUBJECT: Testimony before the Joint Economic Committee

1. The meeting of the Joint Economic Committee (JEC) was held on 21 November 1984 at 1000 hours in Room 562 Dirksen to hear testimony from the Central Intelligence Agency (CIA) on the allocation of resources in the Soviet Union and China. The briefing was at the Secret/Noform level. A transcript was taken and security was provided by the Agency.

2. Present from the Committee was:

Senator William Proxmire (D., WI)

3. Present from the Committee staff were:

Richard Kaufman (JEC staff)

Margaret Calhoun (Staff of Senator Symms (R., ID))

Grant Loeb (Staff of Senator Symms (R., ID))

4. Present from CIA were:

Robert M. Gates, Deputy Director for Intelligence

[redacted] Chief, Soviet Economy Division/Office of Soviet Analysis/Directorate of Intelligence

[redacted] Chief, Econometric Analysis Division/Office of Soviet Analysis/Directorate of Intelligence

[redacted] Analyst, China Division/Office of East Asian Analysis/Directorate of Intelligence

[redacted], Deputy Chief, Liaison Division/Office of Legislative Liaison

5. Mr. Gates opened the briefing by reading his prepared talking points on the Soviet Union, (copy attached.) Senator Proxmire asked a number of questions regarding Soviet defense spending trends. Mr. Gates and [redacted] emphasized the importance of looking at trends rather than the figures for any one year, which could often be misleading. Mr. Gates agreed to provide for the record data on Soviet spending on conventional forces during the period 1977-83. He also agreed to provide dollar cost figures to the Committee as part of the testimonial record. The Senator asked a number of questions about why the dollar cost figures had not been provided as they

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were in the past. Mr. Gates pointed out that such figures were subject to misinterpretation and misuse. While dollar cost calculations were still made to help the analysts in their work, we had decided that rouble figures were more illustrative of the actual burden on the Soviet economy of defense spending. Mr. Gates strongly disagreed when Senator Proxmire suggested that the dollar costs were being withheld to bolster Department of Defense budget spending requests. Mr. Gates pointed out, that, in fact, Soviet spending again appears to be turning upward and that our figures would support DoD requests rather than detract from them. Mr. Gates also discussed differences in CIA and DIA methodologies, but pointed out that the important point to note was that both agencies agreed on trends although they occasionally differed on specifics.

6. Mr. Gates next read his talking points on Chinese economic developments, (copy attached). Mr. Gates and Mr. [redacted] responded to Senator Proxmire's questions on Chinese/Soviet relations, prospects for Chinese economic reform, etc. [redacted] will provide for the record the percent of Chinese Gross National Product (GNP) allocated to defense spending, and a list of other countries that have the same GNP as China.

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7. The hearing ended at 1230 hours. The only follow up actions are those that are to be provided as part of the testimonial record.

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